

School District Reorganization and Sharing Incentives House File 534

Last Action:

**House Education
Committee**

February 21, 2007

Executive Summary Only

AN ACT relating to incentives for school district reorganizations and shared operational functions, and making an appropriation.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available on line at <http://www3.legis.state.ia.us/noba/index.jsp>

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**EXECUTIVE SUMMARY
NOTES ON BILLS AND AMENDMENTS**

**HOUSE FILE 534
SCHOOL DISTRICT REORG. & SHARING INCENTIVES**

**UNIFORM LEVY REDUCTION FOR
REORGANIZATION**

- Extends the reduction in the Uniform Levy for school districts that reorganize through FY 2014. School districts receive a \$1.00 property tax rate reduction per \$1,000 of taxable valuation the first year after the reorganization, \$0.50 rate reduction in the second year, and \$0.25 in the third year.

FISCAL IMPACT: The average annual cost the State General Fund for this incentive for the most recent three years it was utilized (FY 2004 through FY 2006) was \$343,000. The costs will vary depending on how many school districts reorganize that year.

**WHOLE GRADE SHARING
SUPPLEMENTARY WEIGHTING**

- Extends the supplementary weighting for shared students and teachers in a Whole Grade Sharing agreement beginning in FY 2009 through FY 2014. School districts receive a weighting of 0.10 times the percentage of the student's day that is shared for up to a maximum of three years.

FISCAL IMPACT: From FY 2003 through FY 2007, the average annual Whole Grade Sharing weighting was 105.9. For FY 2009, with the 4.0% allowable growth rate and \$5,546 State cost per pupil, the cost is projected to total \$587,000, with State Foundation Aid paying \$514,000 and property tax paying \$73,000. The property tax portion could be somewhat higher if school districts receiving the weighting have a district cost per pupil that is higher than the State cost per pupil.

**REGIONAL ACADEMY
SUPPLEMENTARY WEIGHTING**

- Eliminates the supplementary weighting for regional academies at the end of FY 2008.

FISCAL IMPACT: From FY 2006 through FY 2008, when school districts generated these weightings, the annual average weighting was 46.1. This will produce a savings of \$224,000 for the General Fund in State Foundation Aid and \$32,000 in property taxes for FY 2009. To the extent that the regional academies qualify for other supplemental weightings, these savings will be reduced.

**SHARED OPERATIONAL
FUNCTIONS SUPPLEMENTARY
WEIGHTING**

- Creates a Shared Operational weighting beginning in FY 2009 for school districts that share operational functions with other school districts, townships, cities, counties, community colleges, Area Education Agencies (AEAs), Regents institutions, or other governmental subdivisions. The weighting is 0.02 times the budget enrollment, and participating districts receive a minimum weight of 10.0 students and a maximum of 40.0 students. To receive the weighting, the shared operational function must be in place 20.0% of the school year. The additional weighting is to be assigned for each discrete operational function that is shared. School districts can receive the weighting up to a maximum of five years contingent upon annual reporting of the resulting cost savings.

FISCAL IMPACT: The Department of Education estimates that 40.0% of the districts with fewer than 500 students will participate; 33.0% of the districts with between 500 and 1,000 students will participate; and 10.0% of the districts with 1,000 to 2,000 students will participate. Districts with more than 2,000 students will not participate. Given these parameters State Foundation Aid will cost an additional \$6.3 million for FY 2009, and the increase in property tax will be \$897,000. The LSA calculates that if every school district participated with one sharing option, the FY 2009 State Aid cost will be \$32.3 million and property taxes will contribute \$4.6 million. The costs would increase if districts receive multiple weightings for participating in multiple sharing options.

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**HOUSE FILE 534
SCHOOL DISTRICT REORG. & SHARING INCENTIVES**

**SHARED OPERATIONAL
FUNCTIONS SUPPLEMENTARY
WEIGHTING (CONTINUED)**

- Area Education Agencies (AEAs) are eligible to receive a comparable shared operational weighting to be set annually by the Department of Management using the AEAs' special education cost per pupil and foundation level. The AEAs would be required to report their cost savings to continue receiving the weighting up to the maximum of five years.

FISCAL IMPACT: If all Area Education Agencies receive the weighting, the cost will range from \$550,000 to \$2.2 million. State Foundation Aid would pay between \$435,000 and \$1.7 million, and property taxes would pay between \$115,000 and \$462,000 beginning in FY 2009.

**DISTRICT REORGANIZATION
SUPPLEMENTARY WEIGHTING**

- Extends the incentive weighting for districts that reorganized after whole grade sharing through FY 2014. The district receives an incentive weighting equal to the weighting received in the year prior to its reorganization for three years following the reorganization.

FISCAL IMPACT: Between FY 2005 and FY 2007, school districts statewide generated weightings under this option with an annual average of 54.9 students. Assuming this annual average, the costs for FY 2009 will be \$266,000 in State Foundation Aid and \$38,000 in property taxes.

**SHARED OPERATIONAL
FUNCTIONS APPROPRIATION
EFFECTIVE DATE**

- Appropriates \$400,000 to the Department of Education to assist school districts in implementing shared operational functions.
- The Bill is effective July 1, 2007.

Unassigned Standing

General Fund

	Estimated FY 2007	House Education FY 2008	House Education FY 2009
	(1)	(2)	(3)
<u>Education, Department of</u>			
Education, Department of			
Operational Sharing Impl.	\$ 0	\$ 400,000	\$ 0
Foundation Aid - Shared Weighting	0	0	7,200,000
Total Education, Department of	\$ 0	\$ 400,000	\$ 7,200,000
Total Unassigned Standing	\$ 0	\$ 400,000	\$ 7,200,000